



Innovar

ISSN: 0121-5051

ISSN: 2248-6968

Facultad de Ciencias Económicas. Universidad Nacional de Colombia.

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Innovar, vol. 31, no. 82, 2021, September-December, pp. 161-178
Facultad de Ciencias Económicas. Universidad Nacional de Colombia.

DOI: <https://doi.org/10.15446/innovar.v31n82.98419>

Available in: <https://www.redalyc.org/articulo.oa?id=81869862009>

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Getting Back to Basics: Challenging Complexity and Accountability in the Boardroom*

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DE VUELTA A LO BÁSICO: DESAFIANDO LA COMPLEJIDAD Y LA RESPONSABILIDAD EN LA SALA DE JUNTAS

RESUMEN: este artículo estudia la dinámica de la complejidad y la experiencia en el contexto de los comités de compensación (cc). A partir de entrevistas semiestructuradas, principalmente con miembros y consultores de cc, se revela la existencia de dos ejes de subordinación que impactan la mentalidad de los participantes en instancias de gobierno corporativo y que, en última instancia, podrían llegar a afectar el grado de responsabilidad de los directores ante los accionistas. El primer eje involucra la subordinación de los miembros de un cc ante la experiencia de consultores externos, quienes tienden a ser considerados aliados imprescindibles en el manejo de las redes de complejidad que aparentemente caracterizan la compensación de los ejecutivos. Alimentado en parte por el primer eje, el segundo da cuenta del sometimiento a dichas redes de complejidad, que son ampliamente asumidas y naturalizadas por los miembros de un cc y los consultores que estos contratan. Una de las principales contribuciones de esta investigación tiene que ver con el cuestionamiento al predominio de la complejidad dentro de las juntas directivas, con lo cual se pone en tela de juicio uno de los supuestos clave sobre los que se construyen y promueven las prácticas y la experiencia de las instituciones contemporáneas de gobierno corporativo. También cuestionamos el alcance de la dependencia epistémica en muchos cc, donde gran parte del conocimiento necesario para operar adecuadamente el repertorio de prácticas existentes (consideradas indispensables para establecer la compensación ejecutiva) no está en manos de los miembros del cc de una organización, sino en poder de su equipo de asesores.

PALABRAS CLAVE: junta directiva, complejidad, firmas consultoras, gobierno corporativo, compensación de los ejecutivos, experiencia.

VOLTANDO AO BÁSICO: DESAFIANDO A COMPLEXIDADE E A RESPONSABILIDADE NA SALA DE REUNIÕES

RESUMO: o presente trabalho investiga a dinâmica da complexidade e da expertise no contexto dos comitês de remuneração (ccs, na sigla em inglês). A partir de entrevistas semiestructuradas, principalmente com membros e consultores do cc, trazemos à luz dois eixos de subordinação que impactam a mentalidade dos participantes da governança corporativa e podem, em última instância, comprometer o grau de responsabilização dos diretores com os acionistas. O primeiro eixo envolve a subordinação dos membros do cc à expertise de consultores, que tende a ser considerada como uma aliada indispensável para lidar adequadamente com as teias de complexidade que supostamente caracterizam a remuneração executiva. Parcialmente nutrido pelo primeiro eixo, o segundo implica uma subserviência a essas teias de complexidade, que são amplamente presumidas e naturalizadas pelos membros do cc e pelos especialistas em consultoria empregados por eles. Uma de nossas principais contribuições é questionar a ascendência da complexidade na sala de reuniões, levantando dúvidas sobre um dos principais pressupostos sobre o qual as práticas e a expertise em instituições contemporâneas de governança corporativa são construídas e promovidas. Questionamos também a extensão da dependência epistêmica em muitos comitês de remuneração, em que grande parte do conhecimento necessário para operar adequadamente o repertório de práticas (consideradas necessárias para enfrentar o problema da determinação da remuneração executiva) não está principalmente nas mãos dos membros do cc, mas sim nas mãos dos consultores.

PALAVRAS-CHAVE: conselhos diretores, complexidade, empresas de consultoria, expertise, governança corporativa, remuneração dos executivos.

REVENIR À L'ESSENTIEL: CONTESTER LA COMPLEXITÉ ET LA RESPONSABILITÉ DANS LA SALLE DE CONSEIL

RÉSUMÉ: Cet article étudie la dynamique de la complexité et de l'expertise dans le contexte des comités de rémunération (cc). À partir d'entrevues semi-directives, principalement avec des membres des cc et des consultants, nous mettons en lumière deux axes de subordination qui ont un impact sur l'état d'esprit des participants à la gouvernance d'entreprise, et peuvent finalement miner le degré de responsabilité des administrateurs envers les actionnaires. Le premier axe concerne la subordination des membres du cc à l'expertise des consultants, qui tend à être considérée comme un allié indispensable pour faire face de manière appropriée aux réseaux de complexité qui caractériseraient la rémunération des dirigeants. Nourrie en partie par le premier axe, le second implique l'asservissement à ces réseaux de complexité, largement présumés et naturalisés par les membres du cc et les experts conseillers qu'ils emploient. L'un de nos principaux énoncés contributifs est de remettre en question l'emprise de la complexité dans la salle du conseil, en jetant le doute sur l'une des hypothèses clés sur lesquelles les pratiques et l'expertise des institutions contemporaines de gouvernance d'entreprise se construisent et sont promues. Nous remettons également en question l'étendue de la dépendance épistémique dans de nombreux comités de rémunération, où une grande partie des connaissances nécessaires pour exploiter correctement le répertoire de pratiques (jugées nécessaires pour résoudre le problème de la détermination de la rémunération des dirigeants) n'est pas principalement entre les mains des membres du cc, mais plutôt dans celles des consultants.

MOTS-CLÉ: conseils d'administration, complexité, cabinets de conseil, gouvernance d'entreprise, rémunération des dirigeants, expertise.

SUGGESTED CITATION: Gendron, Y., Malsch, B., & Tremblay, M. (2021). Getting back to basics: Challenging complexity and accountability in the boardroom. *Innovar*, 31(82), 161-178. <https://doi.org/10.15446/innovar.v31n82.98419>

JEL CODES: M41, G34, M10.

RECEIVED: 10/11/2020. APPROVED: 23/7/2021.

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ABSTRACT: This paper investigates the dynamics of complexity and expertise in the context of compensation committees (ccs). Drawing on semi-structured interviews, mostly with cc members and consultants, we bring to light two axes of subordination that impact the mindset of corporate governance participants, and may ultimately undermine directors' degree of accountability to shareholders. The first axis involves cc members' subordination to consultant expertise, which tends to be considered as an indispensable ally in dealing appropriately with the webs of complexity that allegedly characterize executive compensation. Nourished partially by the first axis, the second implies subservience to these webs of complexity, which are widely presumed and naturalized by cc members and the consulting experts they employ. One of our main contributory statements is to question the ascendancy of complexity in the boardroom, casting doubt on one of the key assumptions upon which practices and expertise in contemporary corporate governance institutions are built and promoted. We also question the extent of epistemic dependency in many compensation committees, where much of the knowledge necessary to properly operate the repertoire of practices

* A previous version of this paper was presented at the following academic conferences: 2014 Annual Congress of the European Accounting Association (this version was still available on July 29, 2021, at http://www.eaa2014.org/userfiles/FKIDDKD_EKFHMH_EC3YV90T.pdf); 2015 Annual Congress of the Association Francophone de Comptabilité; and 2015 Alternative Accounts Conference. This previous version was subsequently improved significantly through the review comments we obtained from *Innovar Journal*, not least in terms of clarifying the storyline, ensuring greater overall coherence, and streamlining the text.

(deemed necessary to address the problem of executive compensation determination) is not primarily in the hands of cc members, but rather in those of consultants.

KEYWORDS: Boards of directors, complexity, consulting firms, corporate governance, executive compensation, expertise.

Introduction

Complexity nowadays tends to be naturalized and taken for granted in a variety of areas (Stacey, 2009). The field of business is far from immune from this trend. By and large, organizational life is predicated on the view that reality is inherently and increasingly complex and that coping appropriately with complexity requires the mobilization of specific skills, resources and techniques. For instance, risk management exhibits an ever-expanding frontier of abstracted and mathematical formalization to deal with world complexities (Lam, 2017), while finance activities increasingly involve highly sophisticated instruments, such as swaps and derivatives, relying on a web of complicated assertions and calculations (Cooper, 2015; MacKenzie, 2006). To tackle complexity, most dominant management prescriptions advocate the mastery and development of specific and complex forms of expertise as a necessity (Allen *et al.*, 2011). Yet, promoting expertise to deal with complexity paradoxically may result in reinforcing the perception of increasing and omnipresent complexity, given that such expertise assumes complexity.

The intertwining of complexity and expertise has deep material consequences, engendering significant challenges in terms of political authority and democratic accountability (Malsch, 2013). Some spheres of specialized knowledge appear to be out of reach of democratic control since the public may not understand or see the issues that are in the hands of knowledgeable experts (Turner, 2013). At an individual level, the intertwining of complexity and expertise confronts people with the problem of knowing which expert to trust (Giddens, 1990, 1991). As observed by Berger and Luckmann (1966):

I require not only the advice of experts, but the prior advice of experts on experts. The social distribution of knowledge thus begins with the simple fact that I do not know everything known to my fellow [persons], and vice versa, and culminates in exceedingly complex and esoteric systems of expertise. (p. 46)

In sum, contemporary forms of expertise are performative. They contribute to the institutionalization of complexity across society as people are subject to an array of expert discourses that assume that intricate technologies are

indispensable in dealing effectively and efficiently with a variety of inherently complex objects (Stacey, 2009). In the eyes of many, progress depends on the ability of experts to channel successfully through the meanders of complexity.

In this paper, we study the dynamics of complexity and expertise in the domain of corporate governance and, more specifically, in the context of compensation committees. The starting point of our argument is that expertise matters in boardroom settings (Kolev *et al.*, 2019). While previous research points to different forms of expertise being influential and necessary in the boardroom such as the ability to develop and enforce contracts and the capacity to operate mechanistic procedures (Malsch *et al.*, 2012), knowledge on interpersonal dynamics of expertise in boardroom settings is scant, if only because of the relatively low number of qualitative studies carried out in this environment (Filatotchev & Wright, 2017). Drawing on the above, we presume that complexity is centrally involved in the construction of expertise in board settings—and we are unaware of any study that examined this matter from an in-depth perspective (although tentative linkages are mentioned here and there, e.g., Sonnenfeld, 2004).

The specific context we mobilize to examine the dynamics of complexity and expertise in the boardroom is that of compensation committees (ccs), in charge of overseeing executive remuneration within public companies. Over the last 15 years or so, ccs have been significantly criticized in the public arena (Bryant & Sapp, 2007; The Guardian, 2018) as interrogations arise to understand how remuneration packages are awarded to top executives of large public firms. Questions of complexity and expertise, therefore, may be particularly influential in the cc environment. Although we need to be careful in transposing our conclusions to other settings (Lincoln & Guba, 1985), we believe that dynamics of complexity and expertise are especially relevant to understand the backstage of corporate governance, if only because of the convoluted role that corporate governance institutions are called upon to play as gatekeepers of capitalism (Gendron, 2018a). In the words of Jackson and Carter (1995), the capitalist system has created a kind of “monsters,” namely top managers, which it aims to rein in through a battery of corporate governance devices (such as ccs). Our conclusions may therefore be of interest to broader audiences, and we encourage other researchers to engage in research projects centered on the dialectic between complexity and expertise taking place in the backstage of corporate governance institutions.

At the theoretical level, our study is informed by the views of Anthony Giddens (1990, 1991) on the role of expertise,



trust (comfort), and reflexivity in contemporary society. We are particularly interested in examining how the dynamics of complexity and expertise takes place in light of the fundamental tension between comfort and skepticism. As reflexive agents, cc members and others (who attend cc meetings), construct and interpret the complexity surrounding them (Campbell-Hunt, 2007; Kolev *et al.*, 2019; Tsoukas & Hatch, 2001). They can, therefore, simultaneously experience comfort and doubt *vis-à-vis* their own expertise and that of others in reining in executive compensation complexities. Recognizing this basic contradiction can be quite productive in appreciating how expertise and complexity develop and intertwine in the field.

Drawing on semi-structured interviews, mostly with cc members and consultants, we show how executive compensation complexities are constructed and addressed mainly from the perspective of (i) the arm's length contracting model and its underlying mechanical procedures, and (ii) the logic of the market, which is necessary for cc members to reduce and manage the moral complexity of executive compensation (especially through

benchmarking practices) in spite of criticisms expressed in the public arena. However, as reflexive agents, a number of cc members doubt their ability to bring their own expertise into play to tackle compensation complexities. They tend, therefore, to rely significantly on the expertise of corporate consultants to operate the mechanics of contracting and benchmarking and ensure that their company's remuneration policies are consistent with "normal" practices in the field.

As such, our analysis brings to light two axes of subordination that impact the mindset of corporate governance participants and, ultimately, may undermine directors' degree of accountability to shareholders. The first axis involves cc members' subordination to consultant knowledge leadership, which tends to be considered as an important and even indispensable ally in dealing appropriately with the webs of complexity that allegedly characterize executive compensation. Nourished partially by the first axis, the second one implies subservience to these webs of complexity, which are widely presumed and naturalized by cc members and the consulting experts they employ.

One of our paper's main features is to question the ascendancy of complexity in the boardroom, casting doubt on one of the key assumptions upon which practices and expertise in contemporary corporate governance are built and promoted (Kolev *et al.*, 2019; Stacey, 2009). While most of the resources in the field are mobilized to develop expertise and refine techniques in order to master complexity, questioning whether it is always relevant to think and act upon executive compensation as a complex matter tends to be avoided. In other words, complexity and the appropriateness of expertise in addressing complexity are assumed instead of wondering whether alternatives exist and should be considered. We suggest that deeper forms of actor reflexivity should be developed and encouraged if the prevailing order of complexity is to be challenged. As observed by Gendron (2018a), the purpose of critical accounting research in corporate governance can be "interventionist, seeking to enhance people's awareness of the processes by which accounting impinges on everyday life, thereby providing a base for reflectivity and social change." (p. 2). Complex protocols and intricate disclosures are not inescapable means of dealing with the realities of corporate governance; the appeal of understandability and simplicity should not be discarded when pondering over the substance and relative merits of different corporate governance regimes.

The paper is organized as follows. In the next section, we introduce our theoretical lens centered on the notions of experts, reflexivity, and complexity. We follow this with our data collection and analysis. Next, we present and discuss interview evidence. Then, we discuss how ccs' extensive reliance on the expertise of consultants introduces a central "risk" in terms of corporate governance relationships. In the final section, we present our conclusions and the main implications and contributions of this work.

Experts, reflexivity, and the appeal of complexity

One of the main questions studied by Anthony Giddens (1990, 1991) relates to people's tendency to place their trust in systems of expertise, while being reflexively aware that these systems are fragile and fallible. Although people usually know little about experts' activities and body of knowledge, they tend to be relatively comfortable with expert work, based on the experience that expert systems commonly operate as they are supposed to operate. Face-to-face encounters between expert representatives and lay actors may help to humanize and adapt the system's principles to local situations, thereby rendering it more trustworthy (Cairney & Wellstead, 2021; Knights *et al.*, 2001).

However, encounters between expert representatives and lay actors may also leave the latter feeling that expert services are not entirely reliable and coherent with societal expectations. The media also regularly publish news in a variety of domains about expert systems' design faults and operator failure. The resulting skepticism creates tension when it comes to trusting those systems. This tension may be resolved through pragmatic acceptance, recognizing that people's daily lives are significantly dependent on smooth-functioning systems of expertise, which are characterized by some risk. From that perspective, most individuals learn to live with a calculative attitude while choosing among various possible courses of action (Gephart *et al.*, 2009). Accordingly, reflexivity, that is to say, people's ability to continuously examine and alter social practices in the light of incoming information about practices, plays a central role in allowing individuals to trust or not to trust in institutions and organizations.

Yet, Giddens distinguishes practical from deeper forms of reflexivity. He maintains that people typically exert a limited degree of reflexive monitoring of their own actions. Most often, individuals make sense of things through a practical form of reflexivity, in which they do not question the web of assumptions surrounding their everyday lives. Individuals indeed tend to be influenced by a constellation of tacit norms and rules, whose appropriateness is taken for granted (Lupu, 2012). In particular, practical reflexivity may play an active role in securing feelings of comfort in expert systems with individuals constructing understanding by drawing on cumulative personal and organizational knowledge and engaging in a more or less superficial conversation with the situation in which they are specifically engaged.

By contrast, people may mobilize deeper forms of reflexivity through their capacity to engage in in-depth and critical analysis of the conditions and consequences of their own actions upon themselves and others (Clegg & Pitsis, 2012; Flyvbjerg, 2001). This type of reflexivity may translate into skepticism toward the established order of things and destabilize the certainty surrounding expert knowledge, which remains always provisional and contestable in modern society (Giddens, 1991).

Drawing on Giddens, it can be maintained that the instability of knowledge, the development of relationships with distant others, and the reduction of face-to-face interactions throughout contemporary society contribute to peoples' perception that the world has become increasingly unpredictable and complex. Importantly, complexity is not an intrinsic property of any system; "[complexity] is observer-dependent, that is, it depends upon how the system is

described and interpreted,” as stated by Tsoukas and Hatch (2001, p. 986). According to these authors, a field’s “languages of description” –the systems of thought that people reflexively mobilize when making sense of their lives– construct complexity. In other words, complexity is socially constructed (Baudot *et al.*, 2018): “Complexity is not only a feature of the systems we study, it is also a matter of the way in which we organize our thinking about those systems” (Tsoukas & Hatch, 2001, p. 979). As a result of objectifying processes, complexity ultimately is considered, in the eyes of the crowd, as reality.

To tackle complexity, people in modernity keep looking to experts for guidance even if, paradoxically, doubt about such guidance and expert knowledge increases (Giddens, 1990). With complexity perceived and constructed as inevitable, significant activity can take place in the name of expertise. On one hand, expertise tends to be reflexively considered as a particularly useful way of dealing with the uncertainties of the world. On the other, self-proclaimed experts see areas of complexity as key opportunities to establish their presence and professional jurisdiction (Dezalay, 1995). Furthermore, expertise can solidify and amplify perceptions of complexity. For example, in discussing the implementation of a management project, Hanseth *et al.* (2006, p. 576) point out that sophisticated risk management methods do not necessarily translate into a stronger control of the organization’s complexity; “rather they most likely would have added to the overall complexity and triggered new reflexive dynamics.”

One particular form of expertise, developed extensively over the last few decades to deal and become comfortable with the growing “complexity” (i.e., as objectified in the eyes of the audiences) of organizational life, is mechanization (Allen *et al.*, 2011). Drawing on the development of quantification techniques and advances in information technology (Stacey, 2009), mechanization implies the standardization of work processes. A given phenomenon is broken down into a number of components, each of which is addressed in a specific way, through a specific task. Mechanization acts as a powerful logic within corporate governance settings (Malsch *et al.*, 2012), where consultants tend to play a dominant expert role to influence the development, promotion and implementation of mechanistic procedures within organizations and boardrooms (Jupe & Funnell, 2015). Of course, mechanization is not the only form of expertise that helps board members navigate complexity. Board members can also mobilize their “know how,” intuition and judgment skills acquired through their professional and personal experience (Malsch *et al.*, 2012).

However, whatever forms expertise may take, the notion of reflexivity makes us aware that skepticism and doubt may prevail (at least in principle) over expert claims in the boardroom. While previous research on corporate governance and ccs points to different types of expertise influencing boards, knowledge is scant on how expertise and complexity dynamics play out in the context of the reflexive tension between trust and skepticism. The examination of *expertise in action* in board settings, therefore, needs to pay attention to the contradictory attitudes that board members and others involved in board meetings may have toward claims to expertise.

Drawing on the above, we predicate our analysis of expertise and complexity dynamics in the context of ccs on the following questions. How do cc members construct, interpret and navigate the complexity surrounding compensation policy design? Which forms of expertise are mobilized within ccs in seeking to control complexity? How do cc members make sense of these forms of expertise in light of the tension between trustworthiness and skepticism? From a broader perspective, what risks, in terms of corporate governance relationships, are involved in constructing complexity and mobilizing expertise within ccs?

Methods

As maintained by Tsoukas and Hatch (2001), understandings and perceptions of complex systems and their properties are grounded in the subjective narratives that individuals construct about them. To carry out this investigation, therefore, we mainly draw on a series of 30 semi-structured interviews, conducted in Canada between 2008 and 2010, which initially aimed to better understand the nature of the work carried out by cc members and their perceptions of their judgments. One or two of the authors led all interviews. We conducted all interviews face-to-face, with the exception of one by telephone, for convenience purposes. As indicated in table 1, interviewees included 17 individuals who were members of at least one public company cc at the time of the study, seven compensation consultants, one individual with significant experience as a corporate director (but not a member of a public company cc at the time of the interview), one shareholder activist, one former public company vice-president (human resources), one vice-president of an important pension fund, and one director association senior manager.

To ensure the ongoing relevance of our material and analysis, we also conducted four additional interviews in 2017, including two experienced compensation consultants that had been interviewed in 2008 (Other 9 and Other 13) and

two cc members sitting on the board of international public companies (CC 30 and CC 31). Those interviews revealed no significant changes with respect to the dynamics of the field of executive compensations and confirmed our analysis.¹ As explained by one of the compensation consultants we re-interviewed:

I would say today the knowledge is still limited because, you know, we've got analysts here who graduate out of Ivey, and they come here and they work, and this is all they do for 60 hours a week. And you know, after 10 years, you actually learn quite a lot. And their clients don't know anything close to what they do. Their clients have judgment and much broader context to apply that judgment, but they don't actually know how all these things work. (Other 13)

Interviewer: Okay, so basically, in the past 10 years, you haven't changed the way you deliver services a great deal?

Interviewee: Not really. (Other 13)

Another consultant expressed the same level of concerns as in 2008 with respect to cc members' literacy:

You can see in meetings. Like some members you feel like they don't fully understand, but they feel like they need to say yes and approve because the chair is saying 'yes, I've reviewed this,' and so everybody says yes. There's that feeling that this is still happening. (Other 9)

Among the most critical issues discussed in interviews was the relationship between executive compensation and performance. Other topics included background information on professional career and board involvement, cc processes, and views on compensation regulation, particularly with regard to disclosure. Since most of the interviewees had extensive experience in compensation, we also focused the discussions on corresponding changes in their attitudes and practices over time. In the vast majority of cases, we allowed participants to discuss these themes at length, asking questions consistent with their thought

flow. Before the end of each interview, we ensured that we covered all of the main items included in our list of pre-defined topics. The interviews lasted between 45 and 100 minutes. We asked interviewees for permission to record the interviews and informed them that their identity would be protected and that they would have the opportunity to verify the accuracy of their interview transcript and, if necessary, make any alterations² (table 1).

We analyzed the interview transcripts using typical qualitative procedures, including coding of data and comparative analysis across transcripts. We used a coding scheme developed while reading the transcripts to enhance data sensitivity. The scheme comprised a number of main themes and sub-themes. After coding, we developed a conceptual matrix to group together, along every theme and sub-theme, all individual sentences that had been coded but were dispersed across the interview transcripts. As we found that cc members often mobilized complexity in making sense of their activities and that several were doubtful of the power of their own expertise, we subsequently re-examined our interview material and conceptual matrix in light of our emerging focus on the dynamics of complexity and expertise. Therefore, our specific focus emerged inductively, in accordance with common standards that surround qualitative research methodologies (Patton, 1990).

Ultimately, we aim to produce a persuasive storyline, which contributes to a broader conversation questioning prevalent views about corporate governance (see also Golden-Biddle & Locke, 2007). Accordingly, the thread of interview-based evidence that we brought to the fore is one of the most dominant patterns in our dataset, but it is not the only one. While we took a number of nuances into account, it is clear that corporate governance in action is an eminently multifaceted and convoluted phenomenon.

Empirical analysis

Conceiving of complexity through the lens of mechanization

As stated by Tsoukas and Hatch (2001), the complexity of a system or object depends heavily on how it is perceived

¹ We recognize that our first round of interviews, from which our database is mostly derived, are about dynamics that happened more than ten years ago. That being said, in accordance with key principles of interpretive research, we are chiefly committed to produce an in-depth understanding (Gephart, 2004; Patton, 1990; Power & Gendron, 2015) of a phenomenon circumscribed to a given moment (2008-2010) and place (Eastern Canada). The capacity of institutions to reproduce themselves (partially) over time (Berger & Luckmann, 1966; Bourdieu, 1984) needs to be taken into account when making sense of our findings.

² Eight interviewees provided a revised transcript. Only minor alterations were made to most of these transcripts. However, the length of one transcript was significantly reduced as a result of deleting anecdotal events or views that might have been construed as politically incorrect. We used only the modified transcripts when one had been provided by the interviewee.

Table 1.
First round of interviews: Interviewee characteristics.

Date of interview	Interviewee ^a	Did the interviewee work as a public company CEO during his/her career?	Was the interviewee a member of a public company CC at the time of the interview?	Main current occupation	Number of boards at the time of the interview (public companies and private/not-for-profit organizations) ^c
April 2008	CC 1	No	Yes	Self-employed consultant	4
April 2008	CC 2	No	Yes	Senior manager of consulting firm	1
April 2008	CC 3	Yes	Yes	Corporate director	5
May 2008	CC 4	No	Yes	Lawyer	2
May 2008	Other 5	Yes	No	Corporate director	6
May 2008	CC 6	No	Yes	Corporate director	2
May 2008	CC 7	Yes	Yes	Corporate director	2
April 2008	CC 8	No	Yes	Senior manager in investment firm	4
May 2008	Other 9	No	No	Partner – consulting firm ^b	0
June 2008	CC 10	No	Yes	Consultant and corporate director	1
June 2008	CC 11	Yes	Yes	Corporate director	2
June 2008	CC 12	Yes	Yes	Corporate director	7
June 2008	Other 13	No	No	Partner – consulting firm ^b	0
June 2008	Other 14	No	No	Shareholder activist	1
June 2008	CC 15	Yes	Yes	Corporate director	4
June 2008	Other 16	Yes	No	Recently retired as vice-president human resources of a public company	1
July 2008	CC 17	No	Yes	Senior manager in public-sector organization	6
July 2008	CC 18	Yes	Yes	Senior advisor – law firm	1
August 2008	Other 19	No	No	Vice-president, pension fund organization	5
August 2008	Other 20	Yes	No	Senior manager in director association	3
August 2008	CC 21	Yes	Yes	Corporate director	6
August 2008	CC 22	No	Yes	Corporate director	6
September 2008	CC 21 ^d	Yes	Yes	Corporate director	6
September 2008	CC 23	No	Yes	Consultant and corporate director	1
September 2008	CC 24	Yes	Yes	Corporate director	6
January 2010	Other 25	No	No	Senior consultant – consulting firm ^b	0
January 2010	Other 26	No	No	Senior consultant – consulting firm ^b	0
January 2010	Other 27	No	No	Principal – consulting firm ^b	0
January 2010	Other 28	No	No	Partner – consulting firm ^b	0
February 2010	Other 29	No	No	Partner – consulting firm ^b	0

^a Interviewees who were members of at least one public company CC at the time of the interview are designated "CC #." Interviewees who were not members of a public company CC at the time of the interview are designated "Other #."

^b These consultants specialize in human resource management and compensation.

^c These figures may be underestimated since some interviewees did not expand on their non-for-profit board experience.

^d CC 21 was interviewed twice.

Source: authors.

and described: "physics has discovered complexity by complicating its own language of description" (p. 985). In other words, representations of complexity related to corporate governance or top executives' compensation policies are not given. They are constructed through meaning, language and knowledge.

Webs of "complexity" are sustained through a dense network of statements, theory, technologies and supporters (Allen *et al.*, 2011; Stacey, 2009). Accordingly, the ideal of complexity is widely influential in corporate governance circles. For instance, excerpts such as "there are no black and white answers in corporate governance" (Other 5) and "there is no absolute truth in this world" (CC 15) indicate that complexity is regarded as an inherent and inescapable governance feature. That being said, all participants agree that boards, including ccs, can establish and rely on mechanisms in seeking to rein in inherent complexity and bring it in the purview of controllability.

As illustrated in the following quotation, one of the most common and influential views used by cc members to make sense of their practices relates to the arm's length contracting model. That is, boards, bargaining at arm's length with CEOs, negotiate pay arrangements designed to serve shareholders' interests:

In the compensation committee, there is actually a real – it would be wrong to say conflict, but let's say difference of views between management and the board in respect to compensation issues. Management tends to have the incentive of maximizing compensation. And the board has the objective of limiting compensation to the maximum amount that has to be paid in order to achieve incremental value for the shareholder. (CC 18)

As such, the arm's length contracting model provides an overarching template to apply the logic of mechanization in "mastering" complexity, as illustrated below:

At the beginning of the year, we set objectives. They relate to three components: profit; business growth; and general costs. And the weight of each component is also specified. So we set the objectives at the beginning of the year, and at year-end we say: "Here are the results." It is mathematical. There is a remaining 15%. In [the case of our CEO] there remains a 15% of qualitative evaluation from the board. So what I do in January I send a little survey to each board member. I think there are eight questions or something like that and I say: "Give him a mark from 1 to 5." After that, I add them up and we add this 15% to the mathematical calculation of the three other components. (CC 7)

The above quote illustrates the breaking up of CEO compensation into several components, each of which being linked to an objective set in advance, expressed through a specific measurement. These objectives and underlying measurements are the pillars of a binding "contract," based upon the logic of mechanization, between the executive and the board of directors. As such, an extensive field of knowledge and technical intervention is constructed over the primary idea of finding and determining the most "optimal" equilibrium across a number of contracting variables and constraints (Bebchuk & Fried, 2004). For example:

Just as difficult is the issue of what is the right mix of long-term, short-term, and qualitative incentives that are to be provided? And that's really the axis on which the expertise of the external consultant, the expertise of the chief human resources officer, and the expertise and literacy on the board have all got to come together in order to find an answer that is best in terms of finding that reward structure that makes the most sense of this organization. (CC 18)

Committees should make sure that the compensation packages are competitive, meet our objectives and are not too rich. They should ensure that there's a huge performance element built into packages. Pay for performance is not as easy as it sounds. So deciding what the performance metrics are is difficult, but very important. And trying very hard to make sure that if objectives are not met – that there will be consequences in terms of short-term bonuses. (CC 23)

One of the most intriguing and paradoxical aspects of these two quotes is the participants' assumption that compensation complexity needs to be addressed through sophisticated mechanized contracts. On the one hand, the model of arm's-length bargaining makes the art of compensation setting an eminently complex task –to align the interests of the directors with those of the owners. On the other hand, the conceptual foundations of the model offer a reductionist and mechanistic solution to the art of compensation setting by eradicating "analytical complexity [of human agency] through a strategy of extreme [...] disaggregation" (Reed, 2005, p. 91). We could have mobilized numerous quotes to corroborate the prevalence of the logic of mechanization within ccs. That being said, our main point is that mechanization, as articulated through the concept of binding contracts, provides ccs with a tractable framework to address technically a task perceived and constructed as deeply complex. In so doing, mechanization opens up a vast field of intervention in persuasively aligning objectives, measures and behavior, thus introducing a range of technical complexities into the field.

Conceiving of moral complexity through the logic of market

Mechanization is not a guarantee of success. The arm's length contracting model and its apparent inability to generate convincing findings regarding the relationship between CEO pay and corporate performance have been the target of numerous criticisms (Bebchuk & Fried, 2004; Jaggia & Thosar, 2017). Furthermore, as illustrated in the following excerpt, reliance on the mechanistic logic does not preclude judgment from having to be exercised:

It's a moving target; there's no basic formula. CEO compensation incorporates a high degree of judgment. While a number of specific rules are involved in setting remuneration, judgment ultimately prevails. For instance, what do we do with the CEO who has performed very well over the last 20, or over the last five years, but unexpectedly goes through a very bad year? Should committee members aim to destroy him? Or instead, do we assume that there is a significant likelihood that he will perform very well again over the next three to four years? Given that we need to think from a long-term perspective, should we forgive him for a bad year? (CC 12)

Forgiveness and compassion are not in line with a mechanized view of decision-making that promotes formalities inscribed in contracts. Further, relying exclusively on the arms' length model and its mechanistic logic would leave CC members relatively powerless to confront the complexity of fairness. As shown in the following quote, moral concerns are not easily reducible to formulas:

In a world where there is excess on both sides, some people are literally being exploited and underpaid; we don't talk about them, but they exist. To find a formula which appears reasonable in all of this is the challenge. (CC 1)

In this respect, our analysis indicates that market language provides a persuasive framework within CCs to ignore, discard or mitigate the morality concerns that arm's length contracting neglects. While seeds of discontent against the prevalence of mechanized contracting are present in some interviews, our analysis indicates that in most of them the market logic oftentimes prevents the legitimacy of mechanized contracting from being seriously questioned. Market wisdom is especially sustained through the practice of benchmarking, in that committees often feel the urge to be abreast of what competitors and comparable companies are doing in terms of compensation policy:

Setting compensation is a challenging exercise, and we need to keep in mind that the level of remuneration

exerts influence on lots of things, such as a company's profitability. One of the key principles to be followed in setting remuneration is to see what the market offers, in terms of compensation, in comparable companies. Through this process we are provided with a pretty good understanding of what our CEO's overall compensation should be. (CC 2)

As indicated in our interviews, CC members view the mechanics of comparability as playing a central role in their committee processes. For instance:

That's why you don't just look at whether he [i.e., the company's CEO] delivered his targets. You don't just look at what he did. You ask, "how are we doing versus our competitors?" And that is the acid test. (CC 22)

In sum, the interviews provide us with insight into the work carried out in CCs as well as the underlying logics mobilized to deal with (and paradoxically to sustain) webs of complexity surrounding the question of executive compensation. Compensation complexities are addressed especially from the perspective of mechanized contracting and the underlying web of technicalities it engenders. CC members also mobilize the logic of market "wisdom" to leave aside conveniently a range of thorny moral issues outside the scope of mechanization. As a result of all this, complexity surrounding executive compensation is constructed in two ways: as a fundamental notion that naturally and inescapably permeates the field of corporate governance, and as a concept that can be brought under the purview of controllability. The point is that systems of thought influence how people make sense of and act on complexity.

Tackling complexity through expertise

Our analysis indicates that certain forms of expertise are viewed as playing a central role in operating the apparatuses of mechanized contracting and benchmarking. Expertise in navigating appropriately through (complex) practice protocols sustains a sense of inherent complexity permeating the field, while providing a relative feeling of comfort given that, at least from a theoretical viewpoint, complexity is within the scope of controllability when the (complex) protocols are adequately implemented.

As implied in the following quote, expertise is one of the pillars sustaining the deployment of mechanization within CCs.

The compensation issue is highly complex. The reason is that today we really strive to adjust the compensation of the CEO along performance, and there are so many

different ways of dealing with performance. It's not easy at all to be involved in compensation setting. Judgment is required for some aspects while for others we need to rely on complex techniques. (CC 4)

Operating the mechanized protocols of executive compensation requires discipline in following a series of prescribed steps; yet every step involves interpretive and adaptive abilities in translating normative and general guidance into specific contractual parameters.

We will need to determine the weight given to every variable. For instance, in some companies, more emphasis will be put on variable pay in order to create a performance incentive. Of course, many challenges are involved. Are the pay components that we selected appropriate? Will these components engender the incentives we want? What are the short-term objectives and how do we measure them? How do our targets compare with the industry median? How can we make sure that the performance of the CEO is not just the outcome of general tendencies in the industry? (CC 11)

Our interviews also indicate that a noteworthy feature of members' expertise is the ability to voice concerns during committee meetings:

Well, I think I'm on the compensation committee because I'm quite hawkish about compensation. I think there's been a certain amount of abuse on compensation. I think it's very easy to capture boards. Boards become supine and generally have little courage. I was a vocal complainer about compensation. I thought it was out of hand, frankly, and when the vacancy arose, I was asked by the chairman if I would be willing to stand. And I said I would. So I [...] joined the compensation committee. (CC 22)

Through such statements a sense of confidence in mastering the intricacies of executive compensation emerges. In the same vein, members sometimes associated the feeling of confidence in committee work with a sense of significant progress having been made over time in terms of committee diligence. One member mentioned, "Committees now have teeth that are much sharper and slicing than before" (CC 12). Apparently, progress is so significant that some cc members emphasize the stark contrast between today's and yesterday's committees:

It's important and today it's normal for the board to be the decision-maker. It was not the case 10, 15 or 20 years ago. The CEO would pretty much decide how he and his own successor got paid. It's not the case today. [...] There are more examples where today it's the independent directors, who form the compensation committee, who are

making that decision and in fact contributing to the development of the package. (CC 21)

In summary, our interviews indicate that, in the eyes of cc members, complexities are "inherent" to the object for which they are made responsible, namely, the determination of executive compensation. Importantly, they view expertise as essential to confronting and overcoming the web of "inherent" complexities surrounding executive remuneration. This expertise, notably, is predicated on a contracting mechanization logic, whose articulation in the domain of practice cannot be entirely programmed, therefore necessitating the mobilization of judgment and skills, such as business insight and boldness in challenging others. In so doing, a vast field of intervention opens up. As such, one of the most significant beliefs we found is that complexity can be reined in through adequate expertise.

Casting doubt on members' expertise

Yet, doubt emerged in the interviews regarding the appropriateness of cc members' expertise to address the complexities of executive compensation. We interpret these reservations as being produced through *deeper* forms of reflexivity or substantive reasoning (Alvesson & Spicer, 2012). In contrast, the self-confidence statements we detailed in the preceding subsection can be viewed as ensuing mainly from practical or a more superficial form of reflexivity, in which individuals are not inclined to question their role or assess the pros and cons of their expertise as cc members.

When reflecting on their cc experiences, some interviewees were generally critical of the extent of expertise that most cc members have in executive compensation. One of the most experienced board members we interviewed noted:

I don't think more than ten percent of the people on compensation committees are literate. [...] I think it's important that we have the same ground rules for compensation as for audit. That is, everybody should be literate and there must be a test of. I don't mean a written test, but a significant measure of literacy. Also, one member should be expert. Now we don't have that. In very few compensation committees is there any expert. (CC 21)

The interviewee's claim that most cc members lack human resources literacy, in the regulatory sense of being able to make sense of the practicalities of compensation in the context of public companies, contrasts with the reassuring statements exposed in the previous subsection. The literacy concern is also shared by one consultant, in quite negative terms:

Compensation is so complex today. Committee members read the compensation material; it's quite likely that they will not really understand it. It's partially a question of lack of time. Very few questions are asked in committee meetings. Let's say that a member read the documentation the previous night and did not really understand it. Is the member going to say in the meeting, "I don't understand"? Certainly not. The individual does not want to be seen as stupid. You know, what I just told you is quite representative of the whole network of people on compensation committees, who presumably are "experts" in compensation. They don't ask questions. What a pity. (Other 9)

Another consultant also deplored members' lack of competencies:

There are places where it is enough to make you cry. It is embarrassing even in top notch public companies. A number of committees understand nothing at all. (Other 13)

In the following excerpt, the interviewee casts doubt on the lack of commitment that most cc members have in upgrading their skills:

I doubt whether many directors have got enough time, first of all, to do the requisite study that's required to stay abreast of this business, take some courses to enhance their knowledge of it, and then as a result of being on the human resource committee, go and take some additional courses on human resource management in order to improve their human resource literacy. (CC 18)

In most of these criticisms, human resources literacy is arguably considered a lifeline in strengthening the committees' role and work. Complexity can be reined in if committees establish member literacy. More fundamental doubt was expressed by a participant, highlighting that, not only are shareholders overwhelmed with the compensation complexities and underlying compulsory disclosures (Harvey *et al.*, 2020), but members themselves are not really able to cope with the array of complexities:

What about ordinary shareholders? After all, aren't they the ones that regulators want to protect by requiring all of these compensation disclosures? Are ordinary shareholders able to make sense of the disclosures? Even committee members find it extensively difficult to make sense of this information. I would not be able to answer any specific question on the company's compensation disclosure if one was asked at the annual general meeting. It has become a field constrained to specialists only. (CC 6)

This quote is noteworthy for the extent of disarray and overwhelmingness that both shareholders and cc members reportedly experience. The interviewee seems quite resigned to accept specialist involvement, given the unrelenting processes of growing complexity. It is as if all hopes were embodied in the consultant, whose expertise is indispensable in mastering the vagaries and unpredictability of executive compensation. Accordingly, one of the central patterns underlying our interviews is the extent to which committee members tend to rely extensively on consultant expertise in performing some or most of the essential functions of their work.

Subordinating members' expertise to consultancy

Faced with increasingly difficult issues and sophisticated techniques to be considered, cc members highlight the central role played by compensation consultants as the main suppliers of the market intelligence they need to sustain their calculative thinking and be "liberated" from deeper involvement:

Consultants provide comfort to us. We often use them, for instance, to establish performance-based systems. These people work with numerous organizations; this allows them to tell us, "Listen, here's what is going on elsewhere." [...] We can make a comparison with this company and this other one in order to see the extent to which our remuneration package is close to that of others. (CC 1)

In some cases, compensation consultants can almost substitute for "uneducated" directors and take over the board's day-to-day cognitive functioning:

There are an awful lot of people sitting on compensation committees who are frankly –I won't say uneducated in the topic, but certainly– not up to standard. [...] And the expertise that these [remuneration consultants] have developed is pretty significant. [...] So I think to some degree –in fact, maybe to a significant degree– the only reason compensation committees need remuneration consultants is that as a rule there aren't any experts on the committee. (CC 21)

While the degree of addiction may vary from one committee to another, our participants describe most of their committees as being "consultant dependent." As a result, if we consider that coercing people's behavior involves the possession and the use of resources upon which others depend (McNulty *et al.*, 2011), the way cc members perceive their own reliance on the expertise of consultants can be interpreted as a loss of influence or, at least, a potential vulnerability (Leblanc, 2016). Our point is that such

exposure can strongly impact cc members' ability and motivation to engage reflexively and substantially with remuneration practices. As illustrated in the following excerpt, when caught between a strong CEO actively involved in the design of remuneration and the formal expertise of compensation consultants, the provision of substantive justifications to maintain shareholders' confidence in the committee may become a challenging exercise, involving significant doubts and anxiety. In particular, although the chairperson of the committee appears to be uncomfortable with the recommendation of the CEO and raises implicit ethical issues, the consultant urges her/him to cut short on reflexive thinking while constraining the focus of her/his moral questioning:

I'm a consultant for one of the flagships of Canadian business. The CEO is the kind of individual which when you meet him he will let you talk for two minutes out of a meeting of half an hour [...]. During the last meeting, the CEO proposed a very high remuneration for the top manager of one of the subsidiaries. The amount involved was enormous; it verged on the borders of the unacceptable [...]. Then the chairman of the committee asked me [as consultant working for the cc]: "[Name of interviewee], what's your opinion on the matter?" Of course, I previously went through comparables, and I came to the conclusion that it bordered on the unacceptable. I told the committee: "Listen, it's a borderline situation. If you decide to approve what is proposed, you should be aware that the day the information is made public, you will be asked to justify the remuneration." The committee decided to accept the CEO's recommendation. However, when the meeting ended, I felt that the members had been kind of brainwashed. The chairman of the committee called me two days later and told me: "I have been unable to sleep for the past two nights. Did we make the right decision?" I answered him as follows: "I understand your lack of comfort, but the decision is justifiable. However, it's a borderline situation. You need to be well prepared to justify the matter because I'm sure you'll be asked to account for the decision at the annual general meeting." (Other 9)

Typically, individuals need some confirmation of their feelings of doubt before engaging in the consideration of broader alternatives (Alvesson & Spicer, 2012). If people around them discourage efforts to explore substantive questions through dialogue, one's interrogation may be dropped or marginalized. In this respect, the above quote is not merely anecdotal. It illustrates how consultants can steer anxious and nervous directors away from considering alternative perspectives that might go beyond mainstream practices.

Furthermore, when the fear of failure overwhelms individuals, the latter typically try to establish defensive strategies. Among them, the "principle of the ostrich policy" (Guénin-Paracini *et al.*, 2014, p. 271) enables people not to think about what worries them and to rationalize their decisions. Arguably, as shown in the following extract, cc members can be tempted to use consultants as powerful "anxiety killers," in ways that are unlikely to stimulate reflexivity:

One board member, who sits on the board of many large companies, once told me, "You know, the key priority of any board member is to cover their ass." This is why many board members tend to rely on consultants –to cover their ass. (Other 13)

Even when committee members are highly confident in their own abilities, the involvement of consultants tends to be viewed positively, given that they may provide additional legitimacy to the decisions and recommendations made by the committee:

Remuneration committees tend to rely on external consultants even when committee members have extensive experience over executive compensation. The judgment of an external source is much appreciated for justification purposes. For example, if shareholders question some of the compensation modalities, then committee members are able to refer to a specific document and say, "We consulted an external consulting firm and, after we considered different scenarios, we came to the conclusion that the one we selected is the best one." (CC 4)

The influence exerted by compensation consultants to constrain communicative action between board members is also exemplified in the following quote where a consultant describes her/his typical professional interactions with ccs. She/he literally presents her/his work as a "manager" of cc members' consciousness:

We manage expectations. We make committee members aware of market practices and we tell them, "Here's our viewpoint on what is likely to be acceptable in the market and what is reasonable, in our eyes." [...]. I told them [i.e., specific cc members] to be proactive in terms of disclosure, to explain clearly in the proxy statement why they approved the package. It's imperative to justify this convincingly. Everything needs to be disclosed: the company's performance and the expected amount of the compensation. I even suggested them to adopt a question and answer format in the proxy, in order to anticipate stockholders' questions. (Other 9)

Discussion

In summary, our analysis of the underlying processes indicates that cc members rely significantly on the expertise of external consultants to make sense of and justify their decisions in a domain increasingly perceived as highly complex. Since complexity is seen as being exogenously imposed on organizations, the design of executive compensation is open to the influence of occupations claiming specialized knowledge and know-how in navigating effectively and efficiently through the maze of compensation issues. In other words, the degree of ascendancy that cc members have on the jurisdiction of executive compensation is in the process of eroding –to the benefit of the expertise of consultants. As the airing of problems and critique is severely inhibited by consultants' encouragement to think inside the dominant norms underlying the manufacture of compensation policies, cc members' capacity to engage in critical reflection, therefore, may be significantly reduced. That is, consultants' proactivity encourages in-box thinking, where the ends and assumptions of prevailing practices are not questioned, being viewed as consistent with the order of things (Gendron, 2018a).

Of course, cc members' subservience to consultants' expertise is not absolute. Some members provided anecdotes highlighting their ability to influence events and impose their views. For instance:

The point is that the CEO had been wheeling and dealing with two or three people on the board and said: "I want this, I want that." [...] So I said: "That's completely unacceptable." As a matter of fact, I resigned from the board in protest. My resignation had a snowball effect and three or four months later, the CEO was sacked. (CC 3)

However, a dominant trend emerging from our data relates to cc members, when faced with doubt and anxiety, becoming vulnerable to the ideals of controllability promoted through consultant expertise. Thus, our interviews point to limitations in the extent of expertise possessed by cc members in operating the executive compensation mechanics. ccs are sometimes depicted as lacking human resources literacy and not being proactive in remedying their expertise deficit, for instance in following specialized courses. In this context, consultants appear almost as a lifeline in compensating and overcoming members' expertise deficiencies. Their influence on ccs is far from merely technical; their role also includes the guardianship of normality, preventing a number of committees from attributing lavish compensation packages.

Most interviewees construct and accept complexity as an inescapable feature of contemporary executive compensation. The only discordant voice was the shareholder activist we interviewed, whose organization formally proposed (unsuccessfully), in the context of an annual general meeting many years ago, that the compensation of the CEO, for one of the largest banks in Canada, should be limited to 20 times the average of the wages of the bank's employees. Instead, the most common assumption is that executive compensation constitutes an inherently complex matter, which needs to be addressed through specialized expertise rather than regulatory prescriptions. Specifically, we found that various "obvious" statements are mobilized straightforwardly by interviewees when referring to executive remuneration complexity as a natural and inescapable phenomenon. The naturalization of complexity, though, does not imply that complexity cannot be tamed or controlled. Accordingly, cc members enroll particular forms of expertise to navigate the webs of executive remuneration complexity, especially mechanization and benchmarking expertise. These two forms of expertise are articulated through a market perspective which celebrates the art of determining an appropriate level of remuneration through the logic of arm's length contracting and the articulation of meaningful comparability exercises. Interestingly, members' literacy, which may be viewed as one's ability to make sense of executive compensation from a broad and meaningful perspective, emerged from our data as a kind of higher-level expertise that seems to encompass and surround the application of mechanization and benchmarking expertise. Our data clearly point to literacy as a key referent used by members and consultants when reflecting on cc's work and role. While accounting research has investigated the role of financial literacy from an investor's or citizen's standpoint (Bay *et al.*, 2014), our study indicates that more research is warranted to understand the significance of literacy within the very institutions of corporate governance, notably ccs.

As stated by Giddens (1991), the scope of one's expertise is necessarily limited. We showed that a number of cc members expressed lack of comfort regarding their abilities (or that of their peers) to carry out their work. As admitted by CC 24, "Directors don't understand executive compensation. It's too complicated." As a result, members see relying on remuneration consultants' expertise to overcome their own limitations as an appropriate strategy. Quite often,

any doubts members may have about their own ability to navigate the webs of remuneration complexities quickly evaporate through the involvement of experienced consultants. The latter tend to be viewed as a kind of lifeline, able to disentangle meaningfully and persuasively the intricacies associated with specific remuneration cases while shrouding the committee's work in a veil of legitimacy. Even members who are relatively confident in their own expertise to address executive remuneration complexities tend to view consultants' involvement favorably, as their work provides a convenient means to signal investors that the committee has fulfilled its responsibilities with significant care and rigor. Also, our data particularly points to the role of consultants in alleviating members' morality concerns regarding the amplitude of some remuneration packages. In so doing, the consultant acts as a kind of mediator between members' moral concerns and "normal" practices within the market of executive compensation. Morality concerns are lessened when cc members (often through the mediation of consultants) conclude that a given remuneration package is unlikely to be viewed by outsiders as deviating from established "normal" practices. That being said, the intriguing links between the construction of moral comfort and the imperative of practice-based normality were only touched upon in our analysis, and could be the subject of future research.

Our analysis also points to a significant risk (in the form of an accountability deficit) that underlies the ways in which expertise is called upon in addressing the problem of executive remuneration complexities. In the present case, we are confronted with a situation where, in many committees, much of the knowledge necessary to operate properly the mechanized procedures and benchmarking practices of executive compensation setting is not primarily in the hands of cc members, but consultants.

One of the central questions that comes to mind, then, is the extent to which consulting expertise falls within the scope of corporate governance. Corporate governance is often understood as a template overseeing the relationships between shareholders, directors and executives. From this perspective, accountability flows from corporate executives to directors, and then from directors to shareholders. Importantly, shareholder power depends on board members' abilities in overseeing executives. From the corporate governance template viewpoint, does it make sense to have board members heavily dependent on the expertise of consultants? Who oversees consultants? Who or what are they accountable to?

The market is arguably one of the most relevant answers to the last question. Consulting is mostly organized as a

collection of commercial entities providing an umbrella of services to companies and governments (Ylönen & Kuusela, 2019). Consulting firms are especially known to be governed by the logics of entrepreneurship and free markets (Jupe & Funnell, 2015). They are also known to be proactive agents in the dissemination of these logics (Dermarkar & Hazgui, 2020). Over the last few decades, corporate consultancy has often promoted the downsizing of human capital, the de-capitalization of all non-core activities, the offshoring of manufacturing activities to low-cost countries, and the diminished role of the state in overseeing markets (Mickhail & Ostrovsky, 2007; Thurbon & Weiss, 2020).

According to Abrahamson and Fairchild (2001), consultants can be viewed as idea entrepreneurs, i.e. knowledge workers participating in the development and promotion of new ideas and knowledge products. As entrepreneurs, consultants tend to regard the imposition of external rules on their scope of activities negatively, seeing markets as sufficient discipline. As a result, consultants are not likely to view corporate governance rules and traditions with great respect. In the words of one consultant, "I am not in favor of having more stringent regulation imposed on boards. People will always seek to circumvent regulation anyway." (Other 13)

The influence of consulting firms on corporate executives and boards should not be downplayed. The impact of these firms on organizations is significant, being widely considered as legitimate carriers of management knowledge (Peirano-Vejo & Stablein, 2010). Further, consulting firms have powerful resources at their disposal (McDonald, 2014). For instance, as of September 10, 2020, Mercer, a large consulting firm providing human relations and financial services, reportedly employed more than 25,000 individuals based in 44 countries. It is probably no exaggeration to argue that a significant part of today's life within public companies (and elsewhere such as in governments and public administrations) –what they do, how they strategize, how they think, how they talk– is shaped by consulting firms and their underlying pro-market bias. Importantly, consultants are not overly preoccupied with shareholder well-being; much of their activities will be driven by the "need" to please their clients, that is to serve corporate executives and boards that provide them with engagements (Peirano-Vejo & Stablein, 2010).

As a result, we argue that, through the growing influence of consulting (which tends to be conceived of and acted on as an indispensable body of expert-based knowledge to address the meanders of "inherent" complexity), corporate governance is confronted with a significant

accountability deficit. The management consulting sector has grown exponentially since the 1990s, to the point of employing more than 4.3 million people in 2019 (Mosonyi *et al.*, 2020). Our point is that the accountability relationship between directors and shareholders is influenced significantly by a distinct body of values and knowledge, that of the corporate consultants and their commitment to the logic of free markets. Consulting expertise is far from being neutral as it is predicated on a number of key assumptions that consultants indirectly promote through the advice they provide (Meriläinen *et al.*, 2015). Given cc members' subordination to consulting expertise, is it reasonable to believe that consulting firms constitute a much more important social referent in members' minds, than shareholders do? What kind of epistemic assumptions do consultants promote through their advice to cc members? To what extent are shareholders' interests a central preoccupation in such dynamics? It seems to us that cc members' lack of reflexive engagement takes committees away from their stewardship responsibilities by promoting a tendency to trust the legitimacy of consultants and centers of power outside committees. Is autonomous decision-making jeopardized in the context of ccs? In our mind, this question represents one of the most pressing issues that policy-makers, corporate governance stakeholders, and researchers should address.

In sum, our analysis points to a pervasive but largely unacknowledged aspect of boards' life, namely, the tension between the perception of increasing complexity in boardroom settings and the pressures for uncritical thinking. While most of the resources in corporate governance circles are mobilized to develop instrumental expertise and refine techniques in order to master complexity, we suggest that deeper forms of reflexivity should be promoted if aberrations in executive compensation are to be challenged and critical thinking encouraged in the boardroom. The challenge, therefore, is to bring directors to a higher stage of reflexivity: from a stage of practical reflectivity, where individuals do not question the assumptions that surround their everyday lives, to a stage of substantive reflexivity, where people engage in in-depth and critical analysis of the conditions and consequences of their own actions (Clegg & Pitsis, 2012). One central feature to address is to identify the mechanisms that can bring directors and cc members to this higher reflexive stage.

Conclusions

The starting point of our research was to better understand the practical relationship between complexity and expertise, as articulated in the context of ccs. We were

particularly interested in unveiling the systems of thought and the underlying languages of description and intervention that participants mobilized when making sense of ccs' work. This allowed us to identify influential viewpoints regarding the complexity of executive compensation and cc work, and ways to control for complexity. One of the prevailing views among interviewees was that executive compensation is an inherently complex problem whose resolution requires specific forms of expertise. One of those forms is contractual mechanization, which conceives of compensation setting as being made up of a series of distinct steps. Another form of legitimate expertise is market benchmarking. Yet, to operate the complex mechanics of executive contracting and benchmarking, judgment and skills are also viewed as essential. While our interviews sometimes suggest that cc members are confident in their own skills and knowledge regarding executive compensation, several interviewees, mobilizing what appears as deeper forms of self-reflexivity, cast doubt on members' degree of human resources literacy. For members whose literacy confidence is fragile, corporate consultants often appear as a straightforward solution to ensure diligence and appropriateness in dealing with compensation issues. Even members whose literacy confidence is higher often rely on the expertise of consultants –for instance, for legitimacy purposes. Yet, consultant influence on ccs is far from merely technical, since their involvement also relates to the monitoring of morality and normality. First-order interpretations of our findings (Van-Maanen, 1979), therefore, suggest that ccs are significantly dependent on the expertise of consultants, who tend to be perceived as an important and even indispensable referent in dealing with the web of complexities surrounding executive compensation. We maintained that an accountability deficit is then engendered, in that preoccupations with shareholders are downplayed in the process. In other words, members' expertise is subordinate to the expertise of consultants, while the latter is subordinate to free market logic, which is beyond the scope of traditions and practices in modern corporate governance.

Despite the above, our implications are not limited to casting light on the pitfalls of board subordination to corporate consultancy expertise. Second-order interpretations indicate subservience to the notion of complexity, which is widely assumed and naturalized by cc members and their consulting experts. Somehow, participants have objectified what can otherwise be shown as a socially constructed phenomenon (Berger & Luckmann, 1966). While most of the resources in the field are mobilized to develop expertise and refine (complex) techniques in order to master complexity, questioning whether it is always

relevant to conceive of executive compensation as a complex matter is avoided —as if it were outside the field's languages of description and intervention. In the process, the more people rely on specific forms of expertise in addressing complexity, the more complexity is naturalized given that complexity is one of the fundamental assumptions posited in claims of expertise. To put it another way, promoting expertise to address complexity promotes complexity. A cursory observation is sufficient to establish the plausibility of our point: in the last three decades or so, experts have promoted intricate mechanisms, such as stock options and phantom stock plans, to better align pay with performance. However, as maintained by Flyvbjerg (2001), socially constructed phenomena can be unmade. Do we have to obey the "dictates" of complexity? Can we conceive of a world where webs of simplicity surround how corporate governance agents think about executive compensation? We would argue that deeper forms of reflexivity are central if the prevailing order of complexity is to be seriously challenged. Our argument, therefore, leads us to propose and promote a paradox: to draw on *deeper forms of reflexivity* to highlight the possibility and benefits of *simplicity* as a meaningful lens to think and conceive of executive compensation. Based on our analysis, it appears that very few actors question the ascendancy of intricacy, as if the crowd does not realize that the unrelenting forces of growing complexity can be slowed down or brought to a halt. Naturalization arguably relates to deeper forms of reflexivity not being frequently mobilized by actors.

Challenging the order of complexity may not be easy. As argued by Humphrey and Miller (2012), when new forms of expertise are adopted they tend to partially reproduce ways of thinking and doing that characterized previous forms of expertise. Various institutions are likely to be mobilized in protecting the sanctity of complexity in the corporate governance area (Chahed & Goh, 2013). The idea that progress depends on the mobilization of expertise to address webs of complexity that inherently characterize the world is deeply ingrained. As a result, it is perhaps no exaggeration in positing that many actors in the corporate governance domain are prisoners of a system of thought that prevents them from viewing the merits of simplicity (Willman & Pepper, 2020). As explained by one of the consultants that we re-interviewed in 2017:

And they [cc members] always start the process and say: "Oh, it needs to be simple this time." And if you come up with something simple, they will say, "Yeah, but then you look at that and then you don't take into consideration this and that, and that and this." Oh, this is very important. Okay, include this and that and that, and then we'll end up with something and they'll look at it and say, "Oh

my god, this is so complicated now." It's like, well, yeah, but you cannot have both. It's either you're okay focusing on two or three things and saying these are the really important things, and then it's going to be simple. Or you say, no-no, at the end of the day we need five or six teams to be able to track and to focus people on. And if you do that, yeah, it's becoming quite complicated.

However, persuasive lines of argumentation can be mobilized in trying to overcome individuals' subservience to complexity's seeming inevitability. As shown in the research literature, the CEO's influence only partially, and sometimes quite negligibly, relates to corporate performance (Bryant & Sapp, 2007; Jenter & Lewellen, 2021). Why is it commonplace to attribute stock options? Why establish phantom stocks? Why is this not possible to adopt compensation policies that are meaningfully described in a few pages of text, instead of endless disclosures whose content is disseminated over more than 40-50 pages? Why is it not acceptable to have a CEO compensation policy based on a single multiple of the company's average blue collar pay? These questions are rarely addressed in corporate governance arenas. We hope that our study will help to bring into the conversation questions challenging the ascendancy of complexity in the domain of corporate governance. The task ahead of us is significant. As ironically maintained by one of the key minstrels of the arm's length contracting model:

Even scholars, whose business is the creation of new theories and knowledge, commonly react negatively (and sometimes with personal anger) to those new theories and evidence. It is as if old ideas form ruts in our brains that prevent change. (Jensen, 1998, p. 44)

In conclusion, our study is in line with critical scholarship, which endeavors to bring light on ways in which power is exerted within society (Gendron, 2018b; Parker & Thomas, 2011). While cc members are quite often considered as actors exerting significant marginalizing power on others (e.g., on employees and individual investors), we found cc members are also subject to the ascendancy of power in two main ways. Committee members are subject to the influence of a discourse that celebrates the naturalization of complexity, therefore constraining members' reflexivity, which does not tend to question the desirability of the habit of removing (or downplaying) simplicity from conversations surrounding executive compensation practices and disclosures. Also, committee members are often significantly dependent on the expertise of consultants in alleviating the feeling of discomfort members may have *vis-à-vis* the (socially constructed) complexities that underlie the

determination of executive remuneration. Thus, our study provides some insight into trajectories that surround ways of thinking and doing within ccs, and the desirability of such trajectories. Such significant issues are in line with a significant tradition in critical epistemology centered on phronesis and research that matters (Dillard & Vinnari, 2017; Flyvbjerg, 2001).

Acknowledgments

Authors thank members of the compensation committees and other participants who collaborated on the present research through interviews. We gratefully acknowledge the financial support of the Social Sciences and Humanities Research Council of Canada.

Disclosures

Authors declare no institutional or personal conflicts of interest.

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